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May 24 1963

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PROBLEMS IN EXPORT MARKETING

Rice is one of the world's great cereal products. It is a great pleasure for me to have this opportunity to visit with members of the Rice Millers' Association and your guests who are concerned with its production and sale both at home and abroad.

The statement is often made that rice is the world's most important food crop, and certainly there is much to support this view.

Rice supplies the major cereal requirements for more than one-half of the world's population. In some countries, rice makes up from 70 to 80 percent of the entire food intake.

Among cereal crops for human consumption, rice has only one rival, and that is wheat. The world acreage of wheat is about twice that of rice, but the total production of rice exceeds wheat by some 15 to 20 percent, with rice also supplying more calories.

No other agricultural crop has more colorful and interesting traditions associated with its production.

There is, for example, the "floating rice" of southeast Asia which grows a foot a day as the floods rise.

In Java, individual rice heads are harvested by hand to keep from offending the rice gods.

Address by C. R. Eskildsen, Associate Administrator, Foreign Agricultural Service, U. S. Department of Agriculture, at annual meeting, Rice Millers' Association, Biloxi, Miss., May 24, 1963

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In some countries, snakes are an effective means of controlling vermin in rice warehouses.

Some Latin American rice is produced under primitive fire-agriculture methods that involve a 21-year rotation -- 1 year in rice and 20 in jungle.

Such primitive techniques are by no means universal, but it must certainly be said that, despite the heavy dependence of millions of people on rice, it is one of the less efficient agricultural enterprises in many parts of the world.

In India, for example, we find that rice yields are no larger, if as large, as they were in the days of the Moguls four centuries ago. Here and elsewhere in the rice-deficit areas of Asia, rice is produced on small plots of land which would be considered unfit for agricultural purposes in most areas. The soil is prepared by hand, and water comes from rainfall or is lifted by ancient hand methods.

This is a far cry from the situation in the United States. Although we produce only about one percent of the world's rice crop, we are a world leader in the development of mechanized labor-saving methods of production, in breeding high-yielding varieties, in scientific methods of culture, irrigation and fertilization, in harvesting and storage practices, and in milling and marketing the product.

The U. S. rice industry has grown dramatically in the 64 years since your association was founded. Acreage has increased five-fold; yield per acre has more than tripled; exports have increased from 665 thousand hundred weight to 34 million hundred weight per year; imports have dwindled to virtually nothing.

During this period, the United States has changed from a net importer of rice, with imports nearly 3 times the volume of exports, to a ranking position as the third largest exporter in the world, representing nearly 17 percent of total world trade.

There have been problems along the way, but the progress has been consistent and significant. Your organization came into existence because of common problems. It has stayed in existence because of its ability to serve its membership and the industry it represents.

One of the jobs your representatives do and do very well is to present the problems of your industry to us in the Department. Your kind invitation to appear on this program gives me the opportunity to reverse the process and discuss with you some of the broad problems the government faces in the field of export marketing. Actually that is not much of a reversal, because the objectives and problems of both government and industry in this area are in many respects the same.

Foreign markets are important to the rice industry and to all other agricultural groups today as perhaps never before. In recent years, the United States has been exporting half of its rice crop and the output of nearly one acre in five of all agricultural commodities.

Farmers need to maintain and expand this important segment of their market. Exports are important to the rest of the country, too, from the standpoint of the gold situation. When we earn dollars abroad with exports, we strengthen the national economy and ease some of the pressures on our gold reserve. And agricultural products account for around one-fourth of the country's total exports.

All of us associated with agricultural exports can take pride in the fact that in fiscal year 1962, U. S. farm product shipments set a record of \$5.1 billion. For fiscal year 1963, we will again be close to that mark.

Around 30 percent of our current agricultural exports move under the Food for Peace program, mainly to the under-developed countries which lack

dollar purchasing power. But the other 70 percent is in the form of sales for dollars -- sales made primarily to the industrialized countries.

It is in this area -- the dollar sales area -- where the direct promotional effort of the miller, the rice processor, and the exporter operates. Here, too, joint promotional activities are carried out by the Rice Export Development Association and the Foreign Agricultural Service. And in the same field the government works through marketing specialists and agricultural attaches abroad to uncover trade opportunities, to obtain removal of trade barriers, and to analyze trade trends as a service to industry.

Your rice export group is one of nearly 50 organizations with which we are working in cooperative market development. This program has made vast strides since it was organized in 1954. The cooperators have an estimated 240 people who spend at least half of their time working on foreign market development, many of them stationed overseas. These American trade groups are spending their own funds, as cash, goods and services, at the rate of some \$2 1/3 million a year. Third-party cooperators -- the foreign trade -- are spending about \$3.5 million per year, and FAS expenditures last year were near \$8 million.

This total of nearly \$14 million cannot begin to do the whole promotional job needed to maintain and expand this huge agricultural export market. The big part of the job has to be done by commercial interests both at home and abroad selling our products. And much of the success of the program will depend on the extent to which you can encourage these individual firms to intensify their sales promotion efforts.

Congress has provided solid support for foreign agricultural market development in the form of appropriations and has frequently expressed its

strong wish that the program be pushed aggressively. Congress has also provided that 2 percent of the foreign currency obtained from each Food for Peace sale shall be convertible for market development use.

Neither the rice industry nor any other group can build markets or sell its products if it is denied access to markets. In international trade, there is no access, and no opportunity to sell, unless government policies permit trade to flow.

In this area of market access, the most pressing problems today are those arising out of the common agricultural policy of the European Common Market. These problems are probably consuming more staff time of the Foreign Agricultural Service today than any other responsibility assigned to our agency, and I would like to discuss the subject in some detail.

The Common Market is the largest economic merger ever carried out -- or even attempted. It is composed of six full members -- France, West Germany, Italy, the Netherlands, Belgium and Luxembourg -- and one associate, Greece. It represents a total population slightly greater than that of the United States. Its gross national product is approximately 40 percent as great as ours and growing rapidly.

The economic unification of this group began in 1958, when the Treaty of Rome entered into effect. It is to be carried out in three 4-year stages and is scheduled to be completed by 1970. It has been phenomenally successful in the early stages, when emphasis has been primarily on the lowering of tariffs on intra-Community trade in industrial goods. Internal tariff reductions have brought a boom in trade. Employment and consumer purchasing power have zoomed upward. The rate of economic growth is greater than that of either the United States or the United Kingdom.

The Common Market is something that the United States has encouraged and nurtured. We see it as a program to strengthen Europe and the whole western world in its fight against Communism. One of the best signs that it is working is the fact that Premier Khrushchev is against it.

However, the Common Market has created problems for our agriculture. There can be no question about that. They aren't insurmountable problems, but they are thorny ones.

It has now been just a little over a year since the U. S. negotiations with the Common Market under the General Agreement on Tariffs and Trade were concluded. It brought about both pluses and minuses for U. S. agriculture.

We did well on products the Common Market either does not produce at all or produces in small volume, including cotton, soybeans, protein meal, tallow, hides and skins, and certain fruits and vegetables. The export outlook continues favorable for these products, which comprise about 50 percent of our farm exports to the Common Market. On certain other commodities -- notably tobacco and vegetable oils -- tariff rates were, in our opinion, set too high, and we will press for reduction at the next round of negotiations.

For most of the rest of our export commodities, accounting for about 40 percent of our agricultural exports to the Common Market, we have not done well at all so far. These are the commodities which Common Market farmers want to produce in larger quantities and which they want protected from "outside" competition. They include wheat and wheat flour, feed grains, poultry, and -- of particular concern to your group -- rice.

Actually, no common agricultural policy regulations for rice are in effect as yet. However, it is one of the commodities which Common Market officials have

indicated their intention of protecting through a system of variable levies.

A variable levy is simply a device for assuring that imports enter the market at prices somewhat higher than a pre-determined level of domestic prices. The United States objects to the use of such devices because they violate long-established principles of international trade based on moderate fixed tariffs that are subject to negotiation.

We do not question the right of the Common Market to adopt a common agricultural policy and a single integrated market for food products, such as we have here in the United States. We are simply saying that such steps should be taken with due regard to the area's position as a major agricultural importer and a relatively inefficient agricultural producer. We are saying that we object to the EEC trying to solve the problems of its farmers at the expense of non-EEC farmers.

Western Europe has two rice-producing countries -- France and Italy. Italy is one of the most productive rice-growing areas in the world. However, it has financed its price support program through consumer prices ^{so} high that per capita consumption within the country today is only half of what it was 30 years ago. Also, it produces only the short-grain soft-cooking types.

Consumers in Western Europe, as they have grown more prosperous, have shown a strong and growing preference for long-grain rice. If trade restrictions impose a limitation on imports of this type of rice, which cannot be produced in the area, consumers would be forced to eat less rice, pay a higher price, or accept a substitute they do not want. If present proposals of the Common Market for a variable levy system for rice are adopted, the cost to consumers

for the imported long grain rice they prefer might well be 50 percent above current price levels. At the same time the cost of all rice -- including the domestic product -- would rise sharply.

These facts are well understood by the non-rice-producing countries of the Common Market, which is no doubt a factor in the repeated delays in the adoption of a common agricultural policy for rice. Meanwhile, trade with the Common Market is continuing under the regulations of the individual countries, with the United States now supplying roughly 35 to 40 percent of the rice imports of the Community.

From the outset of the Common Market's development of its agricultural policy, the United States -- and specifically the Department of Agriculture -- has protested measures taken in this area in the direction of restrictive rather than liberal trade.

We are in constant communication with Common Market officials on these matters and we are also making extensive preparation for a strong role for agricultural trade in the next general round of tariff bargaining under the GATT -- the so-called Kennedy Round planned to begin in 1964.

Preparations for that bargaining session were discussed at some length at a ministerial meeting in Geneva which ended earlier this week. The Department of Agriculture had strong representation at that meeting, headed by our Assistant Secretary, Roland R. Renne, and FAS Administrator Raymond Ioanes, to assure a voice for American agriculture in planning the 1964 negotiations.

At this next general round of bargaining, the United States will be bolstered with the broad new authority of the Trade Expansion Act of 1962.

This gives us a more useful tool for dealing with the Common Market and our other trading partners around the world. By permitting us to deal with whole categories of items rather than single items, it gives us a more flexible approach for negotiating tariff reductions with foreign governments.

Agriculture is an important part of our foreign trade and we seek to use the tariff negotiations to bring about increased exports of U. S. agricultural products.

Working on Common Market problems is only one of the major activities of the Foreign Agricultural Service. Another is the operation of major portions of the Food for Peace program, which, as I mentioned earlier, accounts for about 30 percent of our annual farm exports. In this program, sales are made on concessional terms, principally for local currency but also under barter, long-term dollar credit and, in some cases, on a donation or grant basis.

Since 1955, Food for Peace exports have amounted to about \$12.5 billion. This program feeds hungry people and promotes the economic growth of under-developed countries, principally in Asia and to a lesser extent in Africa and Latin America. Through economic development, the program is building future dollar markets for U. S. farm products. At the same time, it is providing useful outlets for U. S. agricultural abundance and additional income for American farmers.

Public Law 480 plays a vital part in our marketing of rice, accounting for about 60 percent of its annual exports. In carrying out this program, however, we face a number of difficult problems. The policy of the

government with respect to Public Law 480 operations requires that we give recognition to the existing patterns of trade of friendly countries. This goes much further than merely supplying a certain tonnage of rice to a given country at a particular time. The normal pattern of trade of that country with its historic sources of supply, the level of its indigenous production and reserve stocks, and its ability to make sound economic use of the commodity supplied under P. L. 480, all are factors to be considered. We must also guard against creating within the recipient country exportable surplus supplies of rice or alternate cereals -- wheat, for example.

The process of shipping rice under Public Law 480 is not something that can be turned on and off like a water faucet. Hence, even a seemingly small detail like the issuance of a specific purchase authorization must be planned carefully, with an eye to the supply in both the purchasing country and this country.

The question of price is likewise important, even when the rice is being sold for a local currency. There are budget limitations in any country's currency and this is often aggravated by the fact that the importing country must provide a subsidy to bring the landed cost of the rice down to the domestic price level of the country.

Administration of this program in the Department is also somewhat complicated by the fact that we must make estimates starting at the end of June each year to serve as a guide for forthcoming P. L. 480 agreements and programming. These estimates, made before harvest, must cover anticipated cash and credit sales, sales for foreign currencies, donations and all other dispositions for the season ahead.

These guidelines are subject to almost constant modification throughout a twelve-month period as crop conditions become more firm, patterns of cash sales develop, world trends in prices and volume of exportable supplies become known, and emergency situations requiring U. S. action arise. It is not possible at any given time to give much better than a qualified guess as to the relationship of these factors and their impact on our supplies.

To complicate matters further, the Mediterranean area goes to harvest in October and November, Burma and Thailand in the Far East in January, and areas south of the Equator in April and May. The use of P. L. 480 sales as a residual balancing factor for our supplies becomes a most difficult chore and even in our best performance periods it is unlikely that we please everyone. A wrong guess or a poorly timed procurement can drive up U. S. prices or decrease outlets for cash sales -- or it can result in the stagnation of supplies at mills. We believe that we are doing a fairly businesslike job in meeting such problems but we are equally sure that perfection will never be achieved.

The export subsidy program, now in its fifth year, has proved an important tool in bridging the gap between our domestic prices and world prices in order to make U. S. rice reasonably competitive in world markets. Here, again, we run into some complex problems. In the absence of any established world market prices and with no defined grades or quality measurements, we have to compute weekly our best evaluations of the prices for several classes and many grades of rice which represent true market conditions.

For long grain rice our problem is the easiest but still complex. Even though there are some price series for this class of rice, the determination of a competitive c.i.f. price with workable differentials for quality is quite another factor. For the medium or short grain group, things get more complicated. For example, is medium grain rice more aligned price-wise with short or long grain? What are the differentials between classes?

Unit international sales of rice are somewhat more limited in number at any particular period than is the case for some other commodities. This then requires a judgment determination as to whether the data available represents actual sales or merely offered prices. The Department seeks to provide "a realistic subsidy," but there again the judgment factor comes strongly into the picture. A subsidy may be realistic on the basis of current sales but quite unrealistic when applied to sales to be consummated over a ninety day forward period. Perhaps we should move more in the latter direction than we have done in the past.

While the purpose of the subsidy is to narrow the price spread and thereby promote competitive sales, there is always the danger of creating a distorted supply pattern resulting from a drain-off of specific varieties. The problem of achieving balance is no small one. Finally, the trend of subsidy levels should be such as not to create undue opportunities for speculation. Obviously the speculative aspect of the commodity itself is economically justifiable in that it tends to create a market. However, the same conditions do not extend to the subsidy. Properly applied subsidies move the optimum volume in commercial markets which is to our advantage. If the subsidy is not properly devised, then the promotional efforts of all groups come to naught. The same factors apply to P.L. 480 sales as to commercial sales.

The United States occupies a unique position among major rice exporters. We are fortunate from the standpoint of climatic conditions to be able to grow for export a wide range of the various classes of rice.

I hope that in our domestic production program we will be alert to the importance of growing the types that our customers in the export market, as well as our domestic consumers, prefer. I hope, too, that we will not make the mistake of emphasizing any particular variety solely because it is in demand for P.L. 480 shipments. In the building of a stable rice economy for the future, if a particular variety has no other feature to recommend it but its adaptability for P. L. 480, it is certainly open to question whether the variety should be encouraged. We need always to keep uppermost our basic aim -- which is to sell maximum amounts of our farm products for dollars in the commercial export market.

Our domestic programs should point the way toward the production of rice that has the widest range of acceptance in the export market on the basis of its inherent characteristics and not solely on its price. The United States cannot always compete with the cheap rice of the world, but it can move forward in the developing market for a quality product.

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Ex 4
Jan. 29, 1964

Statement of the Acting Administrator of the Foreign Agricultural Service,
U. S. Department of Agriculture, Clarence R. Eskildsen, before the
House Committee on Merchant Marine and Fisheries, January 29, 1964

Mr. Chairman and Members of the Committee:

We may export a billion bushels of wheat this marketing year -- which would far exceed any year in the past. Add to this the fact that almost two-thirds of those exports will be commercial sales for dollars, and 1963-64 becomes quite a highpoint in the history of the Nation's trade in wheat. The United States is traditionally a great wheat exporting Nation, with wheat ranking as an important contributor to farm income and an essential earner of foreign exchange.

With these things in mind, it might be easy to overlook the fact that we are in an era of growing competition for the world's wheat markets. Exporting countries are increasingly ready to cut prices and to bargain with every tool available -- including credit, special transportation arrangements, and State trading. The European Economic Community has included wheat in its system of variable import levies which favor producers within the Common Market, even though their grain be more costly to produce.

The current export situation, glowing as it is, should not cause us to forget that during the 1950's the U. S. share of the commercial world wheat market declined -- from 30 percent in 1951-53 to 17 percent in 1960-62. U. S. dollar exports of wheat remained fairly constant during the 1950's at about 140 to 150 million bushels a year. But the world market expanded substantially, and United States wheat growers failed to share in that increase.

If the United States is to hold its position in the world wheat trade -- and improve its standing as I think it should -- then this is a critical time.

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We must either be prepared to really compete for world wheat markets, or to take a back seat. The latter would be a poor alternative indeed for a great trading nation and a great wheat producing nation.

We are, therefore, taking action on several fronts to gear our export trade to the more highly competitive world market of the present and future. For one thing, we are active in market development work, utilizing the foreign aid programs and cooperating with trade groups in fairs and other promotions. Also, we have just announced a revision in U. S. grade standards for wheat, which will assure a competitive product in terms of quality and cleanliness.

Prices must also be competitive, and that is the reason for the export subsidy we have on wheat, as well as on other commodities. The export subsidy is necessary because prices for many farm products are higher in the United States than they are in world trade. This is not to say that our domestic prices are always higher than prices in other countries; some importing countries pay their own wheat farmers as much as 50 percent or more above our prices. But most countries reduce the price of their commodities for export, and if the United States is to sell these farm commodities for export we must also sell at a lower price than in our domestic market. So the export subsidy makes up the difference to the exporter between what he can get in the world market and what he has to pay here in the United States.

Under the price support program, our wheat growers have been getting an average of about \$1.80 to \$2.00 a bushel of wheat. For the past several years, the world trade price has averaged roughly one-third lower than this. Obviously, U. S. wheat would not move into world trade without export assistance; this is provided through the export subsidy, which is paid in kind. It enables the

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exporter to pay the farmer the difference -- in order to buy his wheat at a higher price and sell it at a lower world price. In effect, therefore, the export subsidy ends up in the pocket of the wheat grower.

Last fall, it became known through the trade that the Soviet Union, following a poor crop in that country and in all of Europe, was interested in buying wheat in the Western Hemisphere. In fact, the Soviets quickly completed a purchase from Canada. On October 9, President Kennedy announced that the U. S. Government would issue export licenses for export of wheat and wheat flours by private traders to the USSR and Eastern Europe countries. Until that announcement, wheat had not been on the list of commodities approved for export to the Soviet Union, although we had been exporting small quantities of other farm products.

It was apparent that a policy which would enable large sales of wheat to the Soviet Bloc would benefit the United States:

- (1) It would help our balance of payments. A sale of 150 million bushels of wheat, for example, would mean an inflow of \$240 million to \$260 million.
- (2) It would benefit the Federal budget through a reduction in acquisition storage, and other costs. A 150-million bushel reduction in Government inventories would mean a net reduction of around \$225 million in budget expenditures during fiscal year 1964, and another savings of about \$30 million in storage and other carrying charges in fiscal 1965.
- (3) It would benefit farm prices. In fact, just the prospect of exports to Russia brought improved market prices for wheat during the fall and winter.
- (4) It would cause an important share of the Soviet's gold or dollar exchange to be expended for food rather than for arms.

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(5) It would aid America's standing as a humanitarian people, permitting no one to say that we withheld wheat we don't need ourselves and denied food to a hungry people which was ready to spend dollars.

(6) It would dramatize to the world the superiority of America's family farm free enterprise agriculture.

So the decision was made to issue export licenses to U. S. commercial traders for wheat shipments to the Soviet Bloc, when requested by those traders for sale on normal commercial terms, at prevailing world prices, on U. S. ships to the extent available. Use of the export subsidy would of course be necessary in order to move the wheat at prevailing world prices.

As of now, one sale of U. S. wheat to the Soviet Union has been completed. On January 3, the Continental Grain Company of New York City completed the sale of about 37 million bushels of wheat. It will benefit the U. S. balance of payments by \$65 million, plus payments for U. S. flag freight, and will effect important savings; storage alone for one year would amount to \$5 million on this much wheat.

The Continental Grain Company sale included three classes of wheat: No. 2 Hard Red Winter, No. 2 Hard Amber Durum, and No. 2 Western Soft White. Export subsidy rates for the winter wheat and the soft white wheat were determined by USDA specialists as usual from the difference between the domestic price and the world market price, as of that day. The export subsidy for durum was determined on a bid basis, which has been the procedure for durum exports since last July 12.

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The bid system was adopted at that time, because the old system was not working effectively to move U. S. durum into world trade. The durum export market is sporadic, and the bid system provides the flexibility the United States needs in order to compete with other exporting countries which have repeatedly moved durum in large quantities at prices negotiated to accomplish individual sales. It enables the Department to consider all the elements in a transaction, including its size.

Size was the predominant consideration in the decision to accept the Continental Grain Company's bids of 72 and 73 cents as the export payment rates for 12.9 million bushels of durum. The Department has rejected smaller bids, both before and after the Continental bid, because the amounts were small and would tend to depress the world market while offering none of the advantages of the big transaction.

The Continental sale of 12.9 million bushels will not result in any reduction in world durum prices, and it will not reduce demand in our regular markets.

This durum sale is, we believe, the largest durum transaction in history. This one sale is within three million bushels of the previous record U. S. total exports for an entire year. It is equal to about a half year's domestic requirements in this country, and about one-fourth of the two-year supply of durum that the Department had expected to carry over at the end of this crop year. It is virtually impossible that any export market for durum wheat would have developed anywhere else in the world within the next several years that would have used up the durum sold to Russia. The added carrying charges of keeping this

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much durum in storage until sufficient sales opportunities would arise to provide another outlet for this wheat would far exceed the increase in the export subsidy that was granted on this transaction. The CCC thus found it in its best interest to accept that bid in order to facilitate the transaction.

The CCC has broad authority under its charter act to promote the export of farm commodities through any type of operation it considers can be effectively employed. The Corporation is specifically authorized to "remove and dispose of or aid in the removal or disposition of surplus agricultural commodities" and to "export or cause to be exported, or aid in the development of foreign markets for, agricultural commodities."

In announcing the possibility of wheat sales to Soviet Bloc countries, President Kennedy stated that the wheat "will be carried in available American ships, supplemented by ships of other countries as required."

To implement this policy, Current Export Bulletin No. 883, which fixed the conditions under which licenses to export wheat to Soviet Bloc countries will be granted was issued by the Department of Commerce on November 13, 1963. It requires in part that at least 50 percent of the wheat and wheat flour to such countries be transported on United States-flag vessels. The bulletin also provides that "If a United States flag carrier is not available at reasonable rates, the exporter must obtain prior authorization from the Maritime Administration to ship less than 50 percent on United States flag carriers."

At the same time, the Maritime Administration issued Voyage Charter Rate Guidelines applicable to bulk grain moving to Soviet destinations. These rates were predicated on the same formula employed in 1956 and 1957 when NSA ceiling rates were established. Effective November 8, 1963, rates for vessels of 10,000 to 15,500 total deadweight tonnage (TDWT) for wheat from U. S. Gulf

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* and North Atlantic ports to Black Sea and Baltic ports were published. Rates for vessels of 15,600 to 30,000 TDWT for the trade were set at 20 percent less than rates for the smaller ships.

The Maritime Administration also decided at about the same time that in order to assist American grain traders to quote prices acceptable to Soviet buyers for wheat landed at Soviet ports, maximum employment of American vessels in the range of 15,600 -- 30,000 deadweight tons would be desirable.

In order to support this policy which would facilitate export sales of wheat to the U.S.S.R., it was decided that in the Department of Agriculture's Public Law 480 programs we would use United States flag vessels of 15,500 DWT and smaller to the maximum extent practicable in order to allow larger vessels to remain available for movement of grain to Russia. This policy recommended itself to us also on the grounds that by maximizing the use of U. S. vessels we would achieve the greatest possible benefit from a balance of payments standpoint and would provide maximum employment for U. S. shipping and related industries.

It should be emphasized however, that the policy of using smaller vessels wherever available does not categorically exclude the use of vessels larger than 15,500 deadweight tons in the P.L. 480 program. In fact, we have now in the program at least 13 vessels in the 15,600 - 30,000 ton range. In that connection we are guided by advice of the Maritime Administration. When that agency determines that a 15,600 - 30,000 ton vessel is unavailable for the Soviet Bloc trade because of draft, lack of discharging equipment or other limitation, we are prepared to approve such vessels when required in our programs provided they are offered at competitive rates.

A281.9 Statement of the Acting Administrator of the Foreign Agricultural Service,

U. S. Department of Agriculture, Clarence R. Eskildsen, before the
House Committee on Merchant Marine and Fisheries, January 29, 1964

Ex 4 Jan 29 1964 Mr. Chairman and Members of the Committee:

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Last fall, it became known through the trade that the Soviet Union, following a poor crop in that country and in all of Europe, was interested in buying wheat in the Western Hemisphere. In fact, the Soviets quickly completed a purchase from Canada. On October 9, President Kennedy announced that the U. S. Government would issue export licenses for export of wheat and wheat flours by private traders to the USSR and Eastern Europe countries. Until that announcement, wheat had not been on the list of commodities approved for export to the Soviet Union, although we had been exporting small quantities of other farm products.

It was apparent that a policy which would enable large sales of wheat to the Soviet Bloc would benefit the United States:

- (1) It would help our balance of payments. A sale of 150 million bushels of wheat, for example, would mean an inflow of \$240 million to \$260 million.
- (2) It would benefit the Federal budget through a reduction in acquisition storage, and other costs. A 150-million bushel reduction in Government inventories would mean a net reduction of around \$225 million in budget expenditures during fiscal year 1964, and another savings of about \$30 million in storage and other carrying charges in fiscal 1965.
- (3) It would benefit farm prices. In fact, just the prospect of exports to Russia brought improved market prices for wheat during the fall and winter.
- (4) It would cause an important share of the Soviet's gold or dollar exchange to be expended for food rather than for arms.

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(5) It would aid America's standing as a humanitarian people, permitting no one to say that we withheld wheat we don't need ourselves and denied food to a hungry people which was ready to spend dollars.

(6) It would dramatize to the world the superiority of America's family farm free enterprise agriculture.

So the decision was made to issue export licenses to U. S. commercial traders for wheat shipments to the Soviet Bloc, when requested by those traders for sale on normal commercial terms, at prevailing world prices, on U. S. ships to the extent available. Use of the export subsidy would of course be necessary in order to move the wheat at prevailing world prices.

As of now, one sale of U. S. wheat to the Soviet Union has been completed. On January 3, the Continental Grain Company of New York City completed the sale of about 37 million bushels of wheat. It will benefit the U. S. balance of payments by \$65 million, plus payments for U. S. flag freight, and will effect important savings; storage alone for one year would amount to \$5 million on this much wheat.

The Continental Grain Company sale included three classes of wheat: No. 2 Hard Red Winter, No. 2 Hard Amber Durum, and No. 2 Western Soft White. Export subsidy rates for the winter wheat and the soft white wheat were determined by USDA specialists as usual from the difference between the domestic price and the world market price, as of that day. The export subsidy for durum was determined on a bid basis, which has been the procedure for durum exports since last July 12.

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The bid system was adopted at that time, because the old system was not working effectively to move U. S. durum into world trade. The durum export market is sporadic, and the bid system provides the flexibility the United States needs in order to compete with other exporting countries which have repeatedly moved durum in large quantities at prices negotiated to accomplish individual sales. It enables the Department to consider all the elements in a transaction, including its size.

Size was the predominant consideration in the decision to accept the Continental Grain Company's bids of 72 and 73 cents as the export payment rates for 12.9 million bushels of durum. The Department has rejected smaller bids, both before and after the Continental bid, because the amounts were small and would tend to depress the world market while offering none of the advantages of the big transaction.

The Continental sale of 12.9 million bushels will not result in any reduction in world durum prices, and it will not reduce demand in our regular markets.

This durum sale is, we believe, the largest durum transaction in history. This one sale is within three million bushels of the previous record U. S. total exports for an entire year. It is equal to about a half year's domestic requirements in this country, and about one-fourth of the two-year supply of durum that the Department had expected to carry over at the end of this crop year. It is virtually impossible that any export market for durum wheat would have developed anywhere else in the world within the next several years that would have used up the durum sold to Russia. The added carrying charges of keeping this

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much durum in storage until sufficient sales opportunities would arise to provide another outlet for this wheat would far exceed the increase in the export subsidy that was granted on this transaction. The CCC thus found it in its best interest to accept that bid in order to facilitate the transaction.

The CCC has broad authority under its charter act to promote the export of farm commodities through any type of operation it considers can be effectively employed. The Corporation is specifically authorized to "remove and dispose of or aid in the removal or disposition of surplus agricultural commodities" and to "export or cause to be exported, or aid in the development of foreign markets for, agricultural commodities."

In announcing the possibility of wheat sales to Soviet Bloc countries, President Kennedy stated that the wheat "will be carried in available American ships, supplemented by ships of other countries as required."

To implement this policy, Current Export Bulletin No. 883, which fixed the conditions under which licenses to export wheat to Soviet Bloc countries will be granted was issued by the Department of Commerce on November 13, 1963. It requires in part that at least 50 percent of the wheat and wheat flour to such countries be transported on United States-flag vessels. The bulletin also provides that "If a United States flag carrier is not available at reasonable rates, the exporter must obtain prior authorization from the Maritime Administration to ship less than 50 percent on United States flag carriers."

At the same time, the Maritime Administration issued Voyage Charter Rate Guidelines applicable to bulk grain moving to Soviet destinations. These rates were predicated on the same formula employed in 1956 and 1957 when NSA ceiling rates were established. Effective November 8, 1963, rates for vessels of 10,000 to 15,500 total deadweight tonnage (TDWT) for wheat from U. S. Gulf

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and North Atlantic ports to Black Sea and Baltic ports were published. Rates for vessels of 15,600 to 30,000 TDWT for the trade were set at 20 percent less than rates for the smaller ships.

The Maritime Administration also decided at about the same time that in order to assist American grain traders to quote prices acceptable to Soviet buyers for wheat landed at Soviet ports, maximum employment of American vessels in the range of 15,600 -- 30,000 deadweight tons would be desirable.

In order to support this policy which would facilitate export sales of wheat to the U.S.S.R., it was decided that in the Department of Agriculture's Public Law 480 programs we would use United States flag vessels of 15,500 DWT and smaller to the maximum extent practicable in order to allow larger vessels to remain available for movement of grain to Russia. This policy recommended itself to us also on the grounds that by maximizing the use of U. S. vessels we would achieve the greatest possible benefit from a balance of payments standpoint and would provide maximum employment for U. S. shipping and related industries.

It should be emphasized however, that the policy of using smaller vessels wherever available does not categorically exclude the use of vessels larger than 15,500 deadweight tons in the P.L. 480 program. In fact, we have now in the program at least 13 vessels in the 15,600 - 30,000 ton range. In that connection we are guided by advice of the Maritime Administration. When that agency determines that a 15,600 - 30,000 ton vessel is unavailable for the Soviet Bloc trade because of draft, lack of discharging equipment or other limitation, we are prepared to approve such vessels when required in our programs provided they are offered at competitive rates.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Foreign Agricultural Service

WHAT CAN GOVERNMENT DO TO ASSIST
EXPORTERS OF AGRICULTURAL COMMODITIES?

Remarks by C. R. Eskildsen, Associate Administrator,
Foreign Agricultural Service, U. S. Department of
Agriculture, at Upper Midwest Conference on Agricultural
Export Trade, Minneapolis, Minn., Thursday, May 19, 1966

No one, a hundred years -- or even fifty years -- ago could have predicted or prepared us for the kind of world we live in today. Modern, as we think we are, hardly any of us who participate in business, education, or government can claim to be up with the times. As the song says, "Everything's up to date in Kansas City" -- but I am sure it has not gone nearly as far as it can and will go.

As I prepared to take part in this Conference, I listed a few of the exciting developments that pertain to our discussions.

For example, the same kind of jet airplanes that brought some of us here to Minneapolis are regularly flying fresh fruits and vegetables from California and Florida to consumer markets in Western Europe.

Ocean freighters now use Lake Michigan as their harbor.

Two big railroads, the Pennsylvania and New York Central, are about to merge their operations and they promise to pass their new efficiencies along to you.

We have a new form of rapid rail transport called the "unit train," in which all boxcars carry the same kind of product and move practically nonstop from point of origin to destination.

We are matching this new kind of train with super-tankers to haul our grain across the seas, some of them carrying 5 to 7 times the load of the conventional freighter.

We constantly are adding new words to our transportation vocabulary, such as piggyback, fishyback, palletization, and containerization, all pertaining to better methods of packaging and hauling products.

As a result of these and other developments, your geography has been changed. It can no longer be said that the Upper Midwest is an inland area.

Your links with the outside world, though perhaps a little longer than those of the Atlantic and Pacific Coast states, in many ways have become just as strong. Your old disadvantages are disappearing. You are entering a new era in which your export operation takes place not when your product finally arrives at one of our distant port cities but when you load it on shipboard up in Lake Superior or over on Lake Michigan, or put it in a van container in your home town for piggyback or fishyback transport, or put it in the freight compartment of a jet airliner out here at Wold-Chamberlain.

Developments such as these mean additional jobs and income to the Middlewest. They are important factors in building our foreign markets, which today exist in every part of the free world. The Japanese school lunch program, for example, includes wheat rolls that may have been baked from North Dakota wheat and recombined milk that may have come from a Minnesota or Wisconsin dairy. The housewife in Spain today may use cooking oil made from Iowa soybeans in place of higher priced olive oil, and Spanish farmers feed their chickens and livestock rations made of Iowa soybean meal. Yesterday, this Conference honored one of your Minneapolis business firms with an "E" Award, for excellence in opening new markets in Europe for a quarter million tons of Midwestern feed ingredients.

Today's changes and opportunities have not come about spontaneously. They are man-made. It has taken initiative and imagination, and millions of hours of hard work, to replace the oxcart with the jet airplane, to open the Saint Lawrence to navigation, to build a billion dollar export market for Upper Midwest farm products.

This interplay between change and opportunity interests me because it relates directly to my Conference subject -- what Government can do to assist exports of agricultural products.

People make events happen. And these people include not only you who are directly involved in agriculture and industry but also we who are in Government. When you look closely at any of the big developments affecting our agricultural trade, I think you will find somewhere the helping hand of each of us.

The question is, how can we work together even more effectively in the future than we have in the past? How can we work together to bring about change where change is needed, to recognize and seize opportunities, and further expand the export sales of Midwestern farm products?

There was a time in our history, and not too many years ago, when this speech would have been very short indeed because there was not much that could be said about Government and private industry collaborating on export development. As a matter of fact, the traditional roles of Government and private industry, in our country and in most countries, have been those of sparring partners rather than friendly collaborationists.

But the scene has been changing. For 10 years the Department of Agriculture and our leading agricultural trade groups have been carrying out jointly-financed export promotion projects overseas -- in fact, we work

with 45 such groups and together we have projects in 70 countries. Our Agricultural Attaches are stationed in 60 countries for the express purpose of assisting American agricultural export operations. Our expected total of \$6.7 billion worth of agricultural exports this fiscal year is so large that nothing short of effective collaboration between private industry and Government could possibly bring it about.

This new concept -- that Government has a legitimate responsibility to help make commercial enterprise successful -- is not unique with us. As we look around, we find a number of our foreign competitors also have set up export promotion programs on a partnership basis.

Last year, in our own jointly-funded agricultural export promotion work, U.S. Government and industry together spent about \$13 million, which is about 0.2 of 1 percent of our agricultural export total. Australia did quite a lot more -- about \$20 million in joint funds, representing 0.8 of 1 percent of her export total. New Zealand's funding was almost as large as ours -- \$11 million, or 1.1 percent of her export total. Denmark put \$10 million into joint export promotion, or 1 percent of her export total. South Africa, Netherlands, Israel, and Canada also carried out programs along similar lines.

It is not my intention to present an encyclopedic report on what the United States Government can or cannot do to assist agricultural exports but I think an overall review may serve some purpose. The businessman who is thinking about moving into the export world, or who is trying to expand his current export operations, may find it extremely useful to know about the export aids that are available.

First, however, I would like to review what Government should not do.

We should not engage in actual commercial selling. In our system of enterprise, I think we all agree that private business, not Government, should be in charge of the order books.

We should not operate Government foreign aid programs, such as the Food for Peace program, in such a way that they displace private sales. (At this point, let me assure you that we do observe this with great care.)

We should not give our support to high risk ventures of questionable future value. In other words, we should not use public money to make a sure thing out of a poorly conceived private venture.

We should not bear the brunt of promoting commercial exports of any product over a long period of time. As our businessmen seek to build a new market, or expand an old market, we think it is proper in the early stages for the Government to help finance the venture rather substantially, even supplying a major part of the research, development, and promotion funds. But as the market becomes established, we feel private endeavor should increasingly take over the responsibility and Government assistance should taper off.

Now for the positive side. What are the various services offered by Government to help expand commercial agricultural exports?

In general, there are five such services.

Three are services that we have provided for a number of years: Information on foreign agricultural situations, including markets; efforts to lower foreign trade barriers; and export assistance to keep our farm commodity prices competitive in the world market.

Two are relatively new services: Export promotion, in which we share the costs with private groups; and export credit, in which we try to make it easier for foreign people to buy our farm products by offering them short term and long term credit.

I would like to comment briefly on each of these services.

Foreign market intelligence. This is our oldest export service. For many years the Department of Agriculture has maintained a worldwide agricultural intelligence system. Our Agricultural Attachés are stationed in major countries around the world and they send back a steady flow of information on agricultural markets, sales opportunities, competitive production, prices, trade policies, and related matters important to American agricultural and trade people. We publish this information and make it available to those who need it in conducting their business affairs. Also, we make special studies relating to export marketing and relay this information to the American business world.

Lowering trade barriers. A trade barrier is a formidable thing. Let me cite a current example. The Netherlands now lives under the import rules of the European Common Market. This means that the import levies and fees on certain agricultural imports can be quite severe. If a Minneapolis baking firm wanted to sell packaged biscuits to Netherlands food stores, it would encounter a 28 percent import duty plus a turnover tax, bringing the effective import charge to about 40 percent. Our own import charges on such an item, by comparison, are $6\frac{1}{2}$ percent. Obviously, the Minneapolis bakery would find it impossible to compete with the local Dutch bakeries under this discriminatory system and would not make any sales. For similar reasons we have practically lost our flour market in the Netherlands.

One of our important services to the American exporter is our work to lower international trade barriers. We want our food and agricultural products to have a chance to compete on their own merits. This is why we fought the "chicken war" with the European Common Market. This is why we have resisted all along the discriminatory agricultural import policies of the EEC. This is why we have strongly supported the Kennedy Round of tariff negotiations as an instrument to bring about freer world trade. These exercises are difficult but they can be rewarding. Over the years, we have succeeded in getting a large number of foreign trade barriers lowered, and this has paved the way for the expanded exports we now enjoy.

Export payments. For a few farm commodities, our Government price support programs cause these products to be priced above world market levels. To help these products compete in world trade, the Government provides an export payment in an amount that brings the export price down to world levels. I would emphasize that most American farm products move into the world market at their own prices and without subsidy. The principal products assisted by export payments today are wheat, rice, and cotton.

Market development. I mentioned earlier the 10 years of experience in this new partnership of Government and private industry, directed at promoting sales of U.S. farm and food products abroad. I would like to cite a current example of this program in action.

One of our promotional activities is participation in international trade fairs. The Department of Agriculture, through its Foreign Agricultural Service, arranges this participation, including design and construction of an appropriate exhibit. Then we invite U.S. agricultural and trade groups,

and the U.S. food industry and its individual firms, to use this exhibit as home base for promoting foreign sales of their respective products.

We have just concluded such an exhibition at Utrecht, The Netherlands, at the ROKA '66 International Food Fair, April 25-29. With our Government promotion funds, we prepared an attractive exhibit structure. A total of 57 U.S. firms or their Dutch representatives took space within this structure to promote sales of their products -- and these included rice, raisins, cranberries, citrus juices, frozen poultry, and 29 different fresh fruit and vegetable items air shipped by jet from California, Arizona, and Florida. During the 5 days of the exhibition, they took orders for approximately \$600,000 worth of these products, and these firms say they have made contacts that can lead to an estimated \$2 $\frac{1}{2}$ million worth of new business.

During this year we have sponsored similar exhibits in London, Verona, Milan, and Tokyo. Another is currently being held in Manchester, England, at an international grocers exhibition. We have similar promotions scheduled for Copenhagen in June, Tokyo and Hong Kong in August, Vienna and Munich in September, and Paris in November. Some of these promotions are at our permanent U.S. trade centers which are maintained in London, Milan, and Tokyo.

These shows offer golden opportunities for associations, individual firms, or even State governments, to display export products abroad and make useful business contacts. At the Manchester show this week some of your local firms are participating. At the show in Munich in September, we expect 8 to 10 States -- among them Minnesota, Illinois, and Michigan -- will have State

booths for the purpose of promoting their respective agricultural products. In all these shows, in Europe and the Far East, we welcome the participation of private business firms and we will be pleased to provide information on how you can take part.

The Government funds used in these promotions have their origin in Title I of Public Law 480, the Food for Peace program. When we sell agricultural products to a less developed country under this program and accept foreign currencies as payment in lieu of dollars, up to 5 percent of these currencies are set aside and made available to support this market development work. It is this financing that has made the market development program possible.

Trade fairs and trade centers are only one of many ways whereby we can work with you. Through programs with our market development cooperators -- covering soybeans, wheat, feed grains, dairy products, processed foods, and many others -- we are able to carry out a wide range of market development activities. They include market surveys and feasibility studies, sponsored visits of foreign users and buyers to acquaint them with American farm products, in-store promotions, newspaper advertising, use of television and motion pictures, distribution of samples, and so on.

This work is paying good dividends. It is part of the reason why our export sales of U.S. farm products, for dollars, continue to grow year by year -- from \$3.2 billion in fiscal 1960 to an estimated \$4.9 billion this year, a gain of 50 percent.

Export credit. One of the most remarkable devices to keep the lifeblood of the American economy moving is our imaginative use of credit. Today, more and more, we also are learning to use credit to stimulate agricultural export operations.

Two types of Government programs help foreign buyers purchase our farm products on credit terms. One is short term; the other is long term.

Short term credit is extended under sales procedures of the Commodity Credit Corporation. Terms are up to 3 years maximum. Interest rates are approximately those of commercial credit. This type of credit is particularly useful in sales transactions with our regular commercial customers.

Long term credit is extended under Title IV of Public Law 480. Here the terms are up to 20 years maximum, and at interest rates which may be those of cost to the U.S. Treasury. This type of credit serves a particular function in doing business with those in-between countries which are rising out of poverty but have not yet attained affluence.

These, then, are some of the principal ways whereby the United States Government can help private industry expand its export sales of agricultural products. Government-industry cooperation has been successfully employed in a number of ventures so far but I think we have only made a good start. As we put our minds to it, there must be many ways -- new and better -- whereby we can do even more to build our export sales.

What can we do, for example, to help solidly-conceived pioneering ventures?

There is one commercial firm today that is ready to make a type of flour from soybeans which in turn can be made into a nutritious high-protein beverage, excellent for babies and children. There are other firms too that recognize and would like to do something to help supply the world's tremendous need for similar concentrated high-protein foods. We have problems of short supply for some of these high protein materials but even

if and when they are readily available the commercial risks are great for these ground-breaking operations. We think it may be possible to put together programs under one or another of our credit arrangements whereby Government can help share this risk in the early stages, thereby enabling the commercial firm to undertake a venture that eventually it can carry on alone.

Is it possible for Government to help promote American brand names in foreign markets?

Here, too, there are intriguing possibilities. We know that the Australians, the Dutch, the Danes, and others have successfully established brand names that clearly identify their products in world markets. Our poultry people have done something similar by setting up quality symbols which may be used by exporters whose products measure up to the indicated quality. Cotton exporting countries, including U.S., are about to start using a worldwide promotional symbol for cotton products. We think there may be something here for a number of American products, and we would like to explore it with you.

Credit, used with imagination and ingenuity, can be a powerful development tool. An example is our credit sale of \$35 million worth of feed grains to a large farmers'cooperative in Spain. As these grains move to Spain, the central co-op will sell them to its farmer members for use in feeding their expanding herds and flocks. As the farmers pay for the grain, the central co-op will use the funds to build new feed handling, processing, and marketing facilities. These facilities, in turn, will earn revenue which will be used to pay the U.S. for the grain. Through this ingenious route, grain becomes not only a livestock feed but a source of investment capital.

There are many other provocative questions that could be asked -- and they should be asked not only of those of us from Washington and Upper-Midwest State Capitols today but of yourselves and your business associates every day. We will certainly do our part to look for answers.

It has been a great pleasure to come back to my home state to meet with you. I have always known of this state as the land of 10,000 lakes. I am sure my Minnesota friends will not mind if I add the newer thought that Minnesota and its neighboring states together are the land of 10,000 export opportunities.

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Cap. 2

PUBLIC LAW 480 AND THE SCHOOL OF AGRICULTURE

When the history of this period is finally written, Public Law 480 unquestionably will stand out as one of the most important measures ever enacted by the Congress. Most people would agree that programs carried on under this legislation have been in the best interests of the United States. Most would also agree that they have been in the best interests of all the world's people.

Certainly it is a big program.

Under Public Law 480 we exported \$15.7 billion worth of food and fiber between July 1, 1954, and December 31, 1966. An additional \$2.2 billion worth was shipped under Mutual Security (AID) programs. Over this period, our food aid exports represented 30 percent of our total agricultural shipments. They went to some 115 countries--most of them less developed--having a combined population of some 1.7 billion.

But statistics don't begin to tell what the food aid program has meant to the people of other countries--and to us.

Overseas, our shipments have helped vastly in preventing malnutrition, hunger, and, as in the case of India right now, even famine. Our shipments have helped to further economic growth of the less developed countries--a point I'll discuss in more detail a little later. Our shipments have helped weak countries reduce the tensions that arise from food shortages and have given them strength to resist subversion and aggression. Our shipments have demonstrated in Asia,

Remarks by C. R. Eskildsen, Deputy Assistant Secretary for International Affairs, at the Third Annual Conference, University Directors of International Agricultural Programs, Purdue University, Lafayette, Indiana, June 14, 1967.

Africa, and Latin America that, when it comes to agricultural production, the American free family farm system has it all over the regimented systems of Communist countries. All of these benefits promote the overall foreign policy of the United States.

And we have derived substantial economic dividends from P.L. 480 right here at home. P.L. 480 shipments have given farmers an additional outlet for their products--and additional income. These shipments have kept surpluses from becoming unmanageable. They have given employment to labor and profits to business in U.S. enterprises functioning in the storage, processing and transportation field. They have even given us important balance of payments help. In the calendar years 1960-1966, we saved \$1.8 billion by using foreign currencies instead of our own to pay embassy and other expenses overseas, and by bartering farm products for foreign goods and services.

Nevertheless, time goes by. Situations change. In recent years it had become apparent that the U.S. food aid effort needed some reorientation. This proves, I suppose, that any program, regardless of how good it is, can be improved.

The new direction has been provided by the Food for Peace Act of 1966. This legislation amends and extends P.L. 480 for two years; that is, through December 31, 1968.

The most important change in the new legislation is its call for the food deficit countries to do more to help themselves. Self-help was stressed by President Johnson when he presented the Administration's program. As the food aid bill progressed through the Congress, both the House and the Senate added provisions to strengthen the emphasis on agricultural development within the recipient countries. The act mentions self-help 14 times.

Why is self-help being emphasized so strongly?

By insisting that our food aid be accompanied by a major self-help effort on the part of those who receive it, we restrain the tendency of some developing countries to use our food aid as a "crutch"--to depend on us for food while they divert their energies and funds to other purposes. For the people of a developing country that is short of food, nothing is more important than making sure that they, themselves, can meet the bulk of their basic requirements.

Back of this judgment lies the recognition, which I imagine most of us share, that a nation cannot really be independent unless it has command of its own ability to produce or acquire something as basic as food. Nor can we assume that our ability to supply food to hungry people will necessarily command their affection and support.

In recent months there has been widespread discussion of how much aid the United States could supply the developing countries assuming certain trends of food production and population. This discussion has given economists and demographers a better recognition of what can and cannot be done. It also has done much to dispel apathy and complacence here and abroad on the important matter of whether food aid, because it has been on time and in adequate volume up to now, will continue to be so indefinitely. Nobody should count on that.

As Secretary Freeman said just the other day, "Our USDA projections show that if recent trends in food production and population growth are not changed, and if we were to attempt to provide the developing countries of the free world with enough food aid from the United States to meet even minimum caloric standards, our capacity to provide such food aid under present patterns and policies of agricultural production would be reached within 10 to 20 years."

Production, of course, could be expanded far beyond current levels, and well beyond levels implied in putting back to crops the acres recently taken out of production. But, as with development of all marginal resources, we would be faced with the question of what we would be willing to pay for this production. I feel sure that the people of the United States and of most of the world would be willing to pay a very high price for food to keep people from starving. But that does not necessarily mean that they would be willing to pay this price indefinitely, if better alternatives were available. For all practical purposes we come back to the conclusion that the right approach is to encourage the kind of development that will permit countries to purchase what they cannot or choose not to produce. The self-help provisions of the food aid act are designed to encourage that development.

The new act lists nine criteria that are to be considered by the United States in evaluating self-help programs of aid recipient countries. These include shifting use of land from nonfood to food crops; developing chemical machinery, transportation, and other essential industries; training farmers; constructing storage facilities; improving marketing and distribution systems; encouraging private enterprise and investment; giving agriculture incentives to produce.

Food is only one factor in the world food problem; the other is population. At the present rate of increase, by the year 1985, there will be one billion more mouths to feed in the world. India's population is increasing by about 12 million a year. That's equal to adding the combined populations of Indiana and Michigan every 12 months.

The new act makes family planning a self-help requirement. It states that in exercising authorities conferred on the President he "shall take into account efforts of friendly countries to help themselves . . . including efforts to meet their problems of . . . population growth." The United States already is assisting countries with family planning programs when such assistance is requested. It pays big dividends, certainly. Five dollars invested in family planning can do as much to solve the food problem as a hundred dollars invested in other areas of economic development.

Each food aid agreement entered into must describe the self-help program the recipient country is undertaking. The agreement may be terminated if the program is not being adequately developed.

Are the act's self-help provisions unreasonable? Do they impose impossible burdens on the developing countries? Not at all.

Some of the countries whose food output has lagged should look around. They will see that several of their less developed neighbors have done a pretty good job of increasing food production. There's no "secret plan" enabling some

countries to do better than others. According to a USDA report--"Changes in Agriculture in 26 Developing Nations"--"Rapid rates of increase in crop output have not happened just as a consequence of normal economic and social processes in societies organized on a laissez-faire basis. Rather, they have been undergirded by aggressive group action, generally national in scope, directed specifically to improving agricultural production conditions." This is another way of saying that some countries are endowed with old-fashioned get up and go. That's an attitude Americans understand and sympathize with.

Among the countries that did a good job of increasing crop output between 1948 and 1963--the period covered by the Department's study--were Israel, Sudan, Yugoslavia, Mexico, Costa Rica, and Taiwan. Countries doing less well included Egypt, Jordan, Tunisia, Pakistan, and Nigeria.

The United States extends a strong helping hand to the countries that want to help themselves. In this current fiscal year, the Agency for International Development is spending \$504 million to finance transfer of American farming techniques; improvement of transportation, marketing, and irrigation facilities; extension services, cooperatives, credit systems; purchases of American-made farm equipment, pesticides, and fertilizer; and research on soils and seeds. For the fiscal year 1968, AID has asked Congress for \$746 million to finance these activities, plus \$20 million for family planning and \$7 million for child feeding programs.

A good foundation has been laid for the technical assistance phases of this program. In the past 10 years, over 31,000 foreign nationals have taken special agricultural training in this country, many of them in the Land Grant universities under the guidance of USDA and largely funded by the Agency for International Development. Today over 1,000 U.S. technicians are scattered around the world, carrying on the U.S. tradition of making two blades of grass grow where only one grew before.

U.S. schools of agriculture have played a prominent role for many years in the technical assistance field. Purdue's Professor D. Woods Thomas, in an excellent summary of this activity, reports that 34 out of 50 agricultural colleges have accepted direct responsibility for foreign agricultural development. Among the leaders in this movement have been Purdue in Brazil, Oklahoma in Ethiopia, Cornell in the Philippines, and North Carolina in Peru. Currently, U.S. schools of agriculture are participating in 38 contractual arrangements with AID for agricultural and rural development work abroad. Numerous other activities of like nature, financed from other sources, are being carried on.

For years it has been a favorite sport of "development" types to argue about the best ways to apply our skills to the development problem. I doubt that I can add anything to this in the few minutes allotted to me. But I do think that discussion on this extremely important subject is highly useful. We still have much to learn about effective ways and means of getting the job done. We all need to work harder and more effectively toward this objective.

But progress is being made and quite often the slow progress is the best kind. Much of development is not a short-run endeavor and for that reason we can't afford to be impatient. As a matter of fact, we often reap dividends long after the initial effort has been made.

I'm reminded, in this connection, of the story of Mexican wheat. The story began in 1940 when Secretary Wallace, after a trip south of the border, suggested that the Rockefeller Foundation carry out research on Mexican wheat, corn, and beans. But not until after World War II, when Japanese short straw wheat was introduced into the breeding program, did the researchers find the right genetic makeup. The new variety turned out to be very high yielding. As a result, Mexican wheat yields, which averaged less than 11 bushels per acre in 1943, have now climbed to 35 bushels an acre.

Other countries have heard about the new wheat. In 1966 India bought 18,000 tons of it. This year Turkey bought 20,000 tons, and Pakistan 50,000 tons. Mention of Pakistan reminds me that Purdue was tied into this development. The Japanese wheat was used by Dr. Ralph Caldwell for breeding work here. A Mexican graduate student at Purdue later headed the Mexican wheat improvement program, then went with the Ford Foundation to Pakistan to help them improve their wheat.

An interesting sidelight is that in 1947, when the Japanese wheat was brought to Mexico, Dr. S. C. Salmon, a USDA scientist, brought it to the United States. It was tested in several places, but it took root best in the Pacific Northwest, and was the basis for the new "Gaines" variety, which has produced as much as 216 bushels per acre. Dr. Orville Vogel, from Pullman, Washington, who helped develop the Gaines variety, went to Turkey last fall with a USDA/AID team, and interested the Turks in the new wheat.

General economic development is a major objective of Public Law 480.

Economic development is the foundation supporting commercial trade--the exports that are sold for dollars. The largest potential commercial market in the world is represented by the less developed countries. In the aggregate the less developed countries are a sleeping giant with an almost limitless capacity to consume. The unmet needs of these billions of people--needs for food, for clothing, for every product of modern industry--far exceed the needs of the developed world. But this sleeping giant will awaken, and this market will come to life, only when economic growth brings higher incomes and greater buying power.

As countries improve their per capita incomes by 10 percent, their commercial imports of all commodities increase by 11 percent, while their commercial imports of food increase by 16 percent. Among countries that have achieved a substantial measure of economic growth, we note that--in comparing 1955-59 with 1961-65--our cash exports of farm products to Israel doubled,

those to Spain increased ten-fold, those to Taiwan increased by 13 times, and those to Greece by 16 times.

The United States has not been niggardly with its economic assistance funds. Total U.S. outlays for economic development in foreign countries amounted to \$87.0 billion between 1946 and 1966. As contrasted with the immediate post-war years, our assistance is now channeled almost entirely toward the less developed countries. Also, an increasing proportion of our assistance today is represented by food aid.

That makes sense because food aid, like dollar aid, is directly related to commercial trade. Food imports on concessional terms help needy countries "buy the time" required to move forward with economic development programs. And in some countries, food is being used instead of cash to pay workers on labor intensive projects.

In the Food for Peace Act Congress directed the President to encourage other advanced nations to make increased contributions in the fight against world hunger and malnutrition, particularly through the expansion of international food and agricultural assistance programs. Other countries are responding, I am happy to say.

Some 68 countries have joined with the United States in the multilateral FAO-UN World Food Program. Pledges of commodities, services, and cash total up to about \$210 million in aid. It's a good program and the United States fully intends to encourage its expansion.

In other ways, the new trend is in the direction of multilateral effort. U.S. aid to India, including food aid, is being handled through the India Aid Consortium, made up of several industrialized countries under chairmanship of the World Bank. Also, the international grains agreement worked out recently at the Kennedy Round of trade negotiations provides that the industrialized countries supply the needy countries some 4.5 million metric tons of grain in

each of the next three years. Of this amount, industrialized importing countries will supply about 1.9 million tons, or 42 percent of the total.

The relationship between a healthy agriculture and industrial development is very close. Agriculture performs several functions in promoting economic growth. It must supply the food required by urban populations in the developing countries, otherwise precious foreign exchange must be used for food imports. It must generate raw materials for industry, earn foreign exchange, and make labor available for industrial construction and expansion. Agriculture also must provide part of the capital accumulation needed for further growth, as well as being a market for such industrial products as fertilizer, farm machinery, and a broad variety of manufactured consumers' goods. To the extent that a country's agriculture promotes general economic growth, to that extent it creates a commercial market for U.S. farm products.

Financing of development is becoming an increasingly difficult problem for both the developing and developed countries. Other industrialized nations, like the United States, appear to have just about reached an upper limit of what their people will support by way of added public investment capital for the less developed countries. Yet the gap between what the less developed countries need for a tolerable rate of growth and what they are likely to get is staggering. Various U.S. and international agencies estimate the gap at somewhere between \$5 and \$20 billion annually.

This gap creates a dilemma. To make either public or private investment abroad will mean some balance of payment losses no matter how much we tie procurement to the United States. Although in the long run we probably will get back our investment in the form of increased markets, for the short run we need to keep the pressure on our commercial exports if we want to be in a position to encourage and support a program of public or private investment abroad. In many ways the real heroes in giving the United States the ability

to help in economic development are those who have expanded our commercial trade enough to make this possible.

Not only is money needed in this effort but also skilled manpower to guide its use. This brings me back again to Dr. Thomas's excellent summary, "World Agriculture and the U.S. School of Agriculture."

Dr. Thomas makes the point that "success by the United States in world affairs will depend in an important way on the degree to which it is able to meet its commitments to economic and social betterment abroad. This will be some function of our ability to promote agricultural development in these nations. In this, the crucial outputs are those that can be provided best and, perhaps, only by U.S. schools of agriculture . . ."

I agree wholeheartedly.

At the same time, I would also like to suggest that the agricultural colleges can make major contributions to the maintenance and expansion of commercial exports--the part we sell for dollars. Commercial trade, after all, follows close upon the heels of agricultural and general economic development. In the commercial export field as well as in the agricultural development area the questions to be answered--important questions--are legion. The challenge to the college graduate is great.

If it isn't out of place here, I'd like to make a recruiting pitch. I'd like to urge every student and graduate of agricultural colleges, at least those who are specializing in agricultural economics and marketing, to look into job opportunities with USDA's foreign service. The work is interesting; the pay is good; and USDA's foreign agencies have it all over the Navy when it comes to seeing the world.

One thing is certain: U.S. agriculture has attained great power and prestige around the world. It will become an even more vital factor in world affairs as populations increase--as the wants and needs of these peoples expand with the spread of economic development. I might add that the time is not too far off--maybe it is already here--when the key determinant making for war and peace will be food as much as nuclear weapons, planes and tanks, and oil reserves. The tremendous importance of our agriculture as a foreign policy tool makes it essential that we derive from it its full potential. This means intensive and extensive study of U.S. commitments in the areas of foreign agricultural development, general economic development, and, not the least of these, commercial trade. In all these areas the U.S. school of agriculture can and should play an expanding role.

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